

## The taxation of individuals and the lump-sum regime

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The fiscal attractiveness of Zug has always extended to individuals. The canton's income and wealth taxes, which it has repeatedly lowered, are among the lowest in Switzerland. The eighth partial revision of the tax law, in force since 1 January 2024, removed the highest brackets of the income tax scale, at 11.75 and 11.50 per cent, and stretched the scale, benefiting incomes above 60,000 francs for single persons and 120,000 francs for married couples. It reduced the wealth tax rates by 15 per cent across the board, widened the brackets of the wealth tax scale and doubled the tax-free allowances. It increased the deductions for children and made permanent a personal social deduction introduced during the pandemic.<sup>1</sup>

A special feature of Swiss taxation for wealthy foreign individuals is the taxation according to expenditure, the lump-sum taxation, or "Pauschalbesteuerung". A foreign national who takes up residence in Switzerland for the first time, or after an absence of ten years, and who does not engage in gainful activity in Switzerland, may be taxed on the basis of his living expenses in place of his worldwide income and wealth.<sup>2</sup> The legal basis is Article 14 of the Federal Act on Direct Federal Taxation and Article 6 of the harmonisation law. Since 1 January 2016, the minimum tax base has been at least seven times the annual rent or rental value of the taxpayer's residence and, at federal level, at least 400,000 francs.<sup>3</sup>

The regime has been contested. In February 2009, the voters of the canton of Zurich abolished it, with 52.9 per cent in favour of abolition. Schaffhausen, Appenzell Ausserrhoden, Basel-Landschaft and Basel-Stadt later followed suit. A federal popular initiative to abolish the regime throughout Switzerland was rejected on 30 November 2014 by 59.2 per cent of the voters. In 2018, some 4,557 persons, less than 0.1 per cent of taxpayers, were taxed according to expenditure in Switzerland and paid 821 million francs in taxes.<sup>4</sup> Zug has retained the regime.<sup>5</sup> The abolition in

Zurich in 2009 made the neighbouring cantons, Zug and Schwyz in particular, a natural destination for wealthy foreigners who had lived or wished to live near Zurich.

The inheritance and gift taxes of the canton complete the picture. Like most cantons, Zug exempts transfers to spouses and to direct descendants.<sup>6</sup> The federal popular initiative of the Young Socialists for a federal tax on large inheritances, which would have affected wealthy families across the country and had caused concern in Zug and the other low-tax cantons, was rejected on 30 November 2025.<sup>7</sup>

## 1 Notes

1. KPMG Switzerland, "Steuerrecht des Kantons Zug / Tax Law of the Canton of Zug", April 2024, [kpmg.com](https://www.kpmg.com): eighth partial revision in force from 1 January 2024; elimination of the highest brackets (11.75 and 11.50 per cent); stretching of the rate curve benefiting incomes above CHF 60,000 (single) or CHF 120,000 (married); linear 15 per cent reduction of wealth tax rates; brackets widened from CHF 162,000 to CHF 250,000; tax allowances doubled; third-party childcare deduction up to CHF 25,000 per child; personal social deduction of CHF 11,100 (single) and CHF 22,200 (married) made permanent. ↩
2. DBG, Art. 14 para. 1 (SR 642.11), and StHG, Art. 6 para. 1 (SR 642.14), [droit-bilingue.ch](https://www.droit-bilingue.ch) and [fedlex.admin.ch](https://www.fedlex.admin.ch): taxation according to expenditure for persons without Swiss citizenship who become subject to unlimited tax liability for the first time or after an interruption of at least ten years and who pursue no gainful activity in Switzerland. Treated in Part F. ↩
3. Wikipedia (German), "Pauschalbesteuerung": legal basis in Art. 14 DBG and Art. 6 StHG; since 1 January 2016 minimum taxable income of seven times the annual rent or rental value, with a federal floor of CHF 400,000. ↩
4. Wikipedia (German), "Pauschalbesteuerung": abolition in Zurich by popular vote in February 2009 (52.9 per cent for abolition); subsequent abolition in Schaffhausen, Appenzell Ausserrhoden, Basel-Landschaft and Basel-Stadt; rejection of the federal initiative on 30 November 2014 with 59.2 per cent no; in 2018 about 4,557 persons taxed according to expenditure, paying CHF 821 million. ↩
5. Kanton Zug, Steuergesetz (BGS 632.1), [bgs.zg.ch](https://www.bgs.zg.ch), version in force 1 January 2026: § 14 "Besteuerung nach dem Aufwand" confirms that the canton retains the regime. The number of persons so taxed in the canton is treated in Part F. ↩

6. Benjamin Steiner, "Erbschaftssteuer im Kanton Zug", Strike Advisory, 7 April 2025, [strike-advisory.ch](https://strike-advisory.ch): spouses, registered partners, children and grandchildren and parents are exempt from inheritance tax in Zug. Treated in Part F. ↩
7. Federal Council, "Volksabstimmung vom 30. November 2025", [admin.ch](https://admin.ch): federal popular initiative "Für eine soziale Klimapolitik – steuerlich gerecht finanziert (Initiative für eine Zukunft)"; [swissinfo.ch](https://swissinfo.ch), "Ein Debakel für die Jungsozialisten: Die Erbschaftssteuer-Initiative scheitert klar", 30 November 2025: tax of 50 per cent on inheritances above CHF 50 million, rejected by 78 per cent of voters and by all cantons. ↩

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*For general information only. This article does not constitute legal or tax advice, does not replace advice on an individual case and creates no lawyer-client relationship. It reflects the legal position as of September 2026.*

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